

Statement of Chairwoman Sue Kelly
Joint Hearing
House Financial Services Subcommittee on Oversight and Investigations
and
House Armed Services Subcommittee on Terrorism, Unconventional Threats and Capabilities
“Who Pays the Iraqi Insurgents?”
July 28, 2005

This hearing on the financing of the insurgency in Iraq will come to order.

We have heard dramatic stories about the direct influence of cash on terrorist attacks in Iraq with reports, for example, of cash rewards for setting up roadside bombs or otherwise participating in terrorist attacks.

But more broadly, we know that money is what buys the supplies, weapons and loyalties which make the insurgents a viable killing force.

The funding sources and methods for the insurgency are as diverse as the insurgency itself, thereby presenting significant challenges.

And while financial defenses by themselves are not enough, they are critically important and can help save lives. As military officials have pointed out, success in taking out local paymasters can have a direct effect in reducing attacks on our forces.

A number of specific areas demand our interest:

Syria

Syria too often appears a willing conduit for cash and killers to terror networks in Iraq.

The job of repatriating the assets of the Saddam Hussein regime has not been completed, due in no small measure to Syrian recalcitrance.

Elements of the former Hussein regime are without question operating in Syria in support of the insurgency.

Furthermore, Syria has proven to be a favored gateway for the foreign fighters into Iraq, many of them undoubtedly carrying substantial sums of cash.

Syria's cooperation has been episodic at best, and unacceptable in its totality.

We must consider new actions to address Syria, including a blanket designation under Section 311 of the PATRIOT Act. A Section 311 designation isolating the Syrian financial system must be at the very top of our list of potential next steps.

I will accept for the moment Secretary Snow's thoughts that a 311 designation of Syria may not be the best course of action at this time. But we must all give such a possibility serious consideration in the coming weeks and months.

Saudi Arabia

There are substantial weaknesses with Saudi Arabian financial defenses.

Treasury Undersecretary Levey recently said that “*private Saudi donors may be a significant source of terrorist funding, including for the insurgency in Iraq.*”

This brings to the forefront once again questions about accountability in Saudi Arabia for terror financiers.

We must ask the question: has the Saudi government done enough in reaching out to its citizens to condemn the ongoing insurgency in Iraq and to demonstrate in unmistakable terms that those caught funding insurgents operations will be punished?

Flawed Saudi charity regulations may ease the flow of cash to insurgents as well.

The troubling precedent set by the Saudi government-run charitable committee for Palestinians, which appears to have knowingly supported terrorism, directs our attention to a charitable committee run by the Saudi government for Iraq.

Furthermore, the Saudis’ continuing reluctance to include large, Saudi-based Islamic charities under their developing oversight mechanisms remains highly problematic.

We must continue to work together with our ally Saudi Arabia in resolving these concerns.

International Support for the Insurgency

We also have to look beyond the region immediately surrounding Iraq.

There are no doubt Islamic extremists groups in Africa and elsewhere are supporting the insurgency. There are reports, for instance, of North Africans financing insurgent operations via Europe and Syria.

We must also look at Europe. There is, for example, the *Ten Euros for the Iraqi Resistance* campaign, established by the Anti-Imperialist Camp, a network of radical groups in Europe openly hostile to America. Just this year, the campaign was used to ship supplies to insurgents in Fallujah. I want to thank my colleagues who recently joined me in sending a letter to the Italian ambassador on this issue.

The *Ansar Al Islam* terror network has had operatives in Germany and Sweden arrested for involvement in insurgency financing activities.

And we must even look within our own country. US CENTCOM General Abizaid stated just this month that money for the insurgency has likely come from the United States.

Issues Within Iraq

Insurgents in Iraq also are able to easily exploit current circumstances in Iraq in obtaining financial resources.

Kidnapping, extortion and theft within Iraq are undoubtedly used to secure funds for insurgents.

Additionally, the cash-based nature of the economy and the prevalence of informal value transfer systems like *hawala* make the detection of suspicious activity extremely difficult.

In total, we confront a difficult set of issues, but ones our government has engaged extensively in Iraq and throughout the globe, so I very much appreciate the administration officials coming here today to discuss this often-overlooked aspect of Operation Iraqi Freedom.